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# PREFACE

Two years have passed and, once again, we are here with our international meeting of academics and professionals – the conference on Strategic Management and its Support by Information Systems (SMSIS). This year, the conference is held for the 13<sup>th</sup> consecutive year and, again, we are glad for the support from the dean of the Faculty of Economics, VŠB – Technical University of Ostrava, prof. Zdeněk Zmeškal.

The first SMSIS conference has been held in 1995 and, to this day, it continues as a traditionally bi-annual platform for professional discussions and exchange of experiences between research teams from various countries and institutions around the world, namely from the Czech Republic, Hungary, Iran, Spain, Slovakia and the United Kingdom. The conference focuses on a relatively broad scale of topics that are associated with:

- strategic management,
- quantitative methods and their applications in management issues,
- trends and issues in information systems design, management and security,
- and applications of new media and intelligent tools in the Digital Economy.

This year, several new hot topics are presented and discussed, namely, social dimension of strategic management, benchmarking in supply chain management, spatial econometrics, cybersecurity for industry 4.0, or artificial neural network and machine-learning with human-in-the-loop.

The SMSIS 2019 conference is organized in cooperation with the Czech Society for Systems Integration (CSSI) and three Czech universities: VŠB – Technical University of Ostrava (Faculty of Economics), University of Economics in Prague (Faculty of Informatics and Statistics) and Masaryk University in Brno (Faculty of Informatics).

The SMSIS conference proceedings usually contains about 50 carefully selected scholarly and professional papers, which are double-blind reviewed by members of the programme committee, who certainly deserve thanks for their devoted work. I would like to thank the members of the organizing committee as well, for their dedication and hard-work during the preparation and organization of the SMSIS 2019 conference event.

I wish all of us to be successful in the presentation of our work, our contributions to be beneficial to conference participants and that the event will meet everyone's expectations.

To a successful conference!

*Jana Hančlová*

*May 2019*

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# SECTION

# A

## STRATEGIC MANAGEMENT

# Responsible Employment as a Strategic Issue

Károly Balaton<sup>1</sup>, Dóra Diána Horváth<sup>2</sup>

**Abstract.** Companies have become important players in the development of society and their responsibilities exceed economic functions and the legal requirements. By practicing corporate social responsibility, companies can be conscious of the impact they are having on all aspects of society, including economic, social, and environmental aspects.

The internal dimension of CSR is basically the responsibility towards the employees. They should be involved in the company's CSR activities in order to engage and motivate them. Studies have shown that employee engagement may have a positive effect on their work, including decreased absenteeism and turnover, as well as increased customer satisfaction and loyalty. Also, it can lead to increased productivity and revenue growth in the long run, creating a win-win situation for the company and both parties. The authors intend to make empirical research to confirm it in the future, for which this paper gives the theoretical base to explore the topic of strategic CSR.

**Keywords:** Corporate Social Responsibility; responsible employment; CSR strategy; internal CSR; employee engagement.

**JEL Classification:** M14

## 1 Introduction and aim of the paper

Corporate Social Responsibility (or CSR) has become a well-known and widely used term during the last two decades. Not only papers and studies have been written about it but also companies have been taking CSR issues into consideration during their everyday operation. However, much misunderstanding and misleading information exist around the approach, while the opinion of practitioners differ about many elements of the definition and implementation of CSR.

In this paper, after a general introduction to the CSR approach, we highlight the importance of the CSR strategy by incorporating it to a company's corporate strategy. Many enterprises at low level of CSR consciousness think that carrying out ad-hoc, single projects (e.g. donations) is enough. We believe that if a company intends to reach a higher level of CSR application, they must consider it as a strategic question. We deal particularly with the theoretical background, our aim is only to clarify the issue of CSR on the theoretical base. We intend to make further, empirical research in the future after we explored the main concepts and doctrines of the topic thoroughly.

Here we discuss the internal type of CSR, as in our opinion a company should start acting responsibly 'within its own walls', in its activities towards its own employees. Responsible corporate behavior could mean many different things; we try to enumerate the ones that we consider the most important. We would like to show the main interrelations and interdependence of the different phenomena, emphasizing the importance of the strategic thinking.

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## 2 The concept of Corporate Social Responsibility (CSR)

Stakeholders have many expectations towards the organization, so the company makes social, environmental and ethical commitments to satisfy these expected issues. These issues can be related to environmental quality, employee rights, community development, and diversity management, and all make claims on the attention of today's business manager.

In its broadest sense, CSR refers to “the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm... (to) accomplish social benefits along with the traditional economic gains which the firms seek” (Davis, 1973, p. 312).

A considerable amount of literature has been published and much research has been carried out on the topic of CSR so far. The different interpretations and approaches that have emerged are shown below (Table 1):

Period	Name of Concept	Description	Literature
1950s-1960	Social Responsibility of businessmen	The obligations of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society.	Bowen (1953)
		Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behavior.	Davis (1960)
		Private contribution to society's economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends.	Frederick (1960)
1960s-1970s	Stakeholder Approach	Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole.	Johnson (1971)
	Three Dimensional Model	The concept consists of corporate responsibilities (i.e., economic, legal, ethical and philanthropic), social issues of business (e.g., labor standards, human rights, environment protection and anticorruption) and corporate actions (e.g., reactive, defensive, accommodative and proactive).	Carroll (1979)
1980s-1990s	Three-dimensional model of principles, policies and processes	Integration of the principles of corporate responsibility, the policies of social issue management and the process of action into an evolving system.	Wartick and Cochran (1985)
	Institutional Framework and extended corporate actions	Four types of corporate responsibilities (i.e., economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e., legal, organizational and individual), while corporate actions are extended to assessment, stockholder management and implementation management.	Wood (1991)

	Three-domains approach	Three domains of corporate responsibilities: economic, legal and ethical.	Schwartz and Carroll (2003)
2000s	New Concept	A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close corporation with the stakeholders.	European Commission (2011)

**Table 1** Development of CSR concepts [Jhavar and Gupta, 2017]

The first serious discussions of it emerged during the 1950s, when Bowen introduced the concept of social responsibility of a businessman in a much wider sphere than pure profit seeking (Bonsón and Bednárová, 2015).

According to Business for Social Responsibility (BSR), corporate social responsibility is defined as “achieving commercial success in ways that honour ethical values and respect people, communities, and the natural environment” (White, 2006, p. 6). McWilliams and Siegel (2000) describe CSR as actions that appeal to further some social good, beyond the interest of the firm and that which is required by law.

Based on these definitions and explanations we can conclude that CSR goes beyond just following the laws and legal regulations. It means much more than that. According to some practitioners of the ‘stricter’ approach, only those initiatives of the company belong to CSR which are truly voluntary, philanthropic activities.

### 3 CSR strategy

According to Krainz (2015), Corporate Social Responsibility (CSR) as a comprehensive concept incorporated into organization strategy increases competitiveness.

Every company differs in the way it implements CSR. “The differences depend on such factors as the specific company’s size, the particular industry involved, the firm’s business culture, stakeholder demands, and how historically progressive the company is in engaging CSR. For successful implementation, it is crucial that the CSR principles are part of the corporations’ values and strategic planning, and that both management and employees are committed to them. Furthermore, it is important that the CSR strategy is aligned with the company’s specific corporate objectives and core competencies.” (Tsoutsoura, 2004, pp. 3-4)

How to develop a well-established and well-functioning CSR strategy and how to build it into the company strategy is an important issue for an organization today. A CSR strategy operates as a ‘road map’ for moving ahead on CSR issues. It sets the company’s direction for and scope of CSR over the long term. It also allows the company to be successful by using its resources within its unique environment to meet market needs and fulfill stakeholder expectations.

As Hohnen and Potts (2007, p. 33) puts it, “following a CSR strategy helps to ensure that a firm builds, maintains and continually strengthens its identity, its market, and its relationships”. A good CSR strategy identifies and consists of the following elements (Hohnen and Potts, 2007):

- overall direction for where the company wants to take its CSR work (planning phase);

- the stakeholders and their specific perspectives, interests and expectations (key players of the company's environment);
- a basic approach for moving ahead (showing orientation for the future);
- specific priority areas (list and ranking of those initiatives that the company intends to participate in);
- a time line for action, responsible staff, and immediate next steps (project-oriented approach);
- a process for reviewing and assuring outcomes (control and feedback phase).

There could be many different ways of making CSR strategy part of the global company strategy. In the paper we show a simple, obvious, three-step method that can serve as a frame for the future implementation and realization phase.

According to Guadamillas-Gómez et al. (2010) the integration of CSR into company strategy could be established through the development of the following stages:

- 1) *Introduction*. In this stage, the fundamental issue is the transmission of ethical principles and their integration into the culture which is shared by the organizational members. From this starting point, formal plans are elaborated in order to reach specific goals. Also, it is necessary to develop an effective communication plan so that the employees and other stakeholders have a clear perception that CSR is an aspect of strategic importance for the company.
- 2) *Implementation of the CSR plan*. In this stage certain factors become important when CSR formal plans are implemented, which are mainly related to HR practices, capabilities development and certain changes in order to adapt the organizational structure to the new situation, for which knowledge management systems and organizational culture are essential aspects.
- 3) *Generalization of CSR*. CSR integration into the company strategy is only possible to achieve if the previous stages have been successfully completed. It means a global change for the company, as CSR will be incorporated into the company's culture, mission and values. This third and last stage is completed with reports in order to measure advances in CSR and benefits for the stakeholders.

### 3.1 The types of CSR

Corporate Social Responsibility can have internal and external dimensions (Ludian, 2004). The internal dimension is basically the responsibility for the operations of employees and the company, while the external dimension covers the broader, "non-corporate" social responsibility (e.g. to the local community, consumers, NGOs, but ultimately the environment or the developing world).

The CSR for employees is undoubtedly at the heart of the company's sphere of influence, and as such, it is the primary focus of the CSR. In practice, corporate human rights programs and policies also start with the topic of employee rights. Obviously, the closer the company is to the concerned stakeholder, the greater the responsibility is in their direction.

However, it is not uncommon for companies to emphasize the external side of CSR because of its higher PR value (Barnard et al., 2004). At the same time, international CSR literature and



initiatives seek to focus on the internal dimensions of CSR, i.e. the concept of responsible treatment of employees (Gatto, 2002).

### **3.2 Importance of internal CSR as the source of employee satisfaction and well-being**

The importance of internal CSR can be explained by a very simple reason. An important prerequisite for an organization's ethical operation is to act responsibly towards those who produce its products or provide its services. So the most important internal concern of the organization is the employees themselves. According to Gross (2011), employers want employees who will do their best work to help the company achieve its objectives. Employees want good jobs that are challenging and meaningful.

William Kahn (1990) of the Boston University School of Management defined the concept of work engagement as "the harnessing of organizational members' selves to their work roles." An engaged workforce can create a win-win situation that has benefits for both employers and employees and result in an efficient and productive work environment. Studies have shown that employee engagement may lead to a number of positive business outcomes, including decreased absenteeism and turnover, increased customer satisfaction and loyalty, increased productivity and increased revenue growth. (Sorenson, 2013)

Fulfilling the expectations of employees is an opportunity not only to improve their or the company's efficiency but it also affects employee satisfaction with their work (Biesok and Wyrod-Wrobel, 2014).

Indeed, there are many factors influencing employee satisfaction. We may mention, among others, the identification with the company, communication, perception by superiors, motivation, staff development, interpersonal relations, and working conditions (Turon, 2016).

## **4 Responsible employment**

Employees, being considered as one of the most important internal resources, require special attention because of their key role. In order to achieve a competitive advantage, organizations should invest in intellectual human capital, ensuring safe and healthy working conditions for their employees and thus contributing to their wellbeing. All of the aspects of employees' wellbeing form a constituent part of internal dimension of CSR (Krainz, 2015).

According to Kisil (2013), the key actions associated with good labor practices are the following:

- compliance with the principles of diversity;
- providing voluntary work;
- fair relationships between co-workers;
- opportunity to express views and ratings by employees;
- ensuring safety in the workplace;
- providing employees with information about any activities that are associated with them;
- providing medical care;
- ensuring an appropriate structure for work and fair wages;

- ensuring satisfactory conditions of employment;
- encouraging the development of employees;
- respecting the private and family life of employees;
- supporting employees in unexpected circumstances;
- implementation of outplacement programs.

#### **4.1 Legal sources of responsible behavior**

The international regulation of the social responsibility of multinational companies is now basically not through traditional legal instruments, but mainly through soft law. Soft law is only a moral force, its punishment is only the ‘shame of non-compliance’. This also means that soft law is largely based on a mature, informed, conscious social environment.

At the same time, soft law is not to be underestimated in the system of international law, as it can become a positive law over time with a broad consensus. Many say that it is not a question that soft law CSR regulations will be replaced by codified legislation, the question is only when and how it will happen. Moreover, soft law itself is always a strong indication of the importance of the topic (Kun, 2009). Meanwhile, the ethical expectation of these principles is increasingly growing among the internal and external, market and non-market stakeholders of the company (Szegedi and Mélypataki, 2016).

We would like to highlight some of the most important legal sources of responsible behavior:

- OECD Guidelines for Multinational Enterprises (1994);
- The UN Global Compact (2000);
- Universal Declaration of Human Rights (1948);
- The Voluntary Principles on Security and Human Rights (2000);
- International Labor Organization: Tripartite Declaration of Principles on Multinational Enterprises and Social Policy (1977);
- Fair Labor Association Workplace Code of Conduct (1996);
- The Rio Declaration on Environment and Development (1992);
- Coalition for Environmentally Responsible Economies – The CERES Principles (1989);
- Organisation for Economic Co-operation and Development Principles of Corporate Governance (1999);
- The Sustainability: Integrated Guidelines for Management – SIGMA – Project (1999)
- UN Declaration of Women’s Rights (1995);
- Green Paper Promoting a European Framework for Corporate Social Responsibility (2001) EU COM 366;
- Communication from the Commission concerning Corporate Social Responsibility (2002) EU COM 347.

#### **4.2 A good example of employee engagement – Community volunteer work**

Last but not least, we would like to mention a ‘best practice’ as a general example, a good way of an employer to engage an employee in the company and its objectives with the help of CSR. Today every employer must consider introducing the system of community volunteer work as it may lead to major benefits.

According to Kotler and Lee (2005), community volunteering is an activity in which the company encourages its employees to carry out voluntary work; by their expertise, talents, ideas and/or physical strength to serve local community goals. Corporate volunteering is easy to distinguish from other CSR initiatives, as it is the only program in which employees of a company personally volunteer for local organizations and local initiatives.

Many benefits of these initiatives reflect the unique ability to build strong and genuine relationships with local communities and to recruit employees. It can help the company achieve its business goals, strengthen the corporate image, and enable the company's products and services to be displayed.

Beneficiaries of volunteering recognize the spirit of commitment as company volunteers appear in person to help non-profit organizations. Volunteers with sincere enthusiasm are the strongest community builders, and this virtue is the most prominent of all CSR initiatives. There is a need for real commitment and care to give employees time to leave work in order to act for the community, or to encourage them to spend their free time for a good cause.

Typical community volunteer programs:

- Promoting ethical behavior through corporate communication that encourages employees to engage in voluntary community work, so they can get information on the resources available to take advantage of volunteering opportunities;
- Demonstration of specific social affairs and foundations for the employee to consider; detailed information on how to get involved in these programs;
- Organizing volunteer groups for specific goals or events;
- Help the employees choose the options that suit individual interests and current community needs, with company-based coordinators or special software;
- Providing employees with the opportunity to do volunteer work on company time; typically 2–5 days a year as paid absence to much longer absence for more serious commitments, such as one year of volunteer work in a developing country covered by the company;
- Allocating donations to charitable organizations where employees work voluntarily; often the amount for donation is adjusted to the number of hours of volunteering;
- Recognition of exemplary volunteers such as mentioning them in internal newsletters, awarding badges, or giving awards at annual corporate meetings.

## **5 Conclusion**

In our opinion, employers should understand one important thing. If employees are properly involved in the CSR activities of the company, they can identify more easily with the company's goals, values, vision or mission. This is a good method to reduce fluctuations and increase efficiency and productivity. This is obviously in line with the company's primary, most important goal of profit-making.

We are certain that the employee-employer relationship is like a two-way process, as both players influence each other. Thus, it is crucial for the employer to engage and motivate employees by acting responsibly and involving them in the CSR activities and strategy of the com-

pany. This way a mutually beneficial relation can be created with the cooperation of both parties. Based on these findings we will carry out an empirical research among Hungarian companies analyzing the relationship between the level of their internal CSR activities and the motivation of their employees. Hopefully we will verify the assumption that more conscious and strategically built CSR projects can lead to better engaged employees.

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